

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 6/10/2015	(3) CONTACT/PHONE Nikki J. Schmidt 805/781-5496	
(4) SUBJECT Hearing to consider a resolution declaring the results of majority protest proceedings, establishing the San Luis Obispo County Tourism Marketing District (TMD) within the County of San Luis Obispo and levy of assessments. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> <li>1. Conduct a public hearing to receive protests to the formation of the San Luis Obispo County Tourism Marketing District; and</li> <li>2. If a majority protest does not exist, adopt the resolution establishing the San Luis Obispo County Tourism Marketing District; and</li> <li>3. Levy an assessment on all lodging businesses that pay transient occupancy tax within the boundaries of the County of San Luis Obispo in the amount of one percent (1%); and</li> <li>4. Approve the Management District Plan.</li> </ol>			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Hearing (Time Est. <u>1 hour</u> ) <input type="checkbox"/> Board Business (Time Est. <u>    </u> )			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: <u>April 21, 2015, item #27</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Guy Savage			
(18) SUPERVISOR DISTRICT(S) All Districts			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Nikki J. Schmidt, Administrative Office

DATE: 6/10/2015

SUBJECT: Hearing to consider a resolution declaring the results of majority protest proceedings, establishing the San Luis Obispo County Tourism Marketing District (TMD) within the County of San Luis Obispo and levy of assessments. All Districts.

## **RECOMMENDATION**

It is recommended that the Board:

1. Conduct a public hearing to receive protests to the formation of the San Luis Obispo County Tourism Marketing District; and
2. If a majority protest does not exist, adopt the resolution establishing the San Luis Obispo County Tourism Marketing District; and
3. Levy an assessment on all lodging businesses that pay transient occupancy tax within the boundaries of the County of San Luis Obispo in the amount of one percent (1%); and
4. Approve the Management District Plan.

## **DISCUSSION**

This item continues the process to establish the San Luis Obispo County Tourism Marketing District (TMD) by asking the Board to consider the resolution of formation and levy of assessments.

The resolution of intention approved by your Board on February 10, 2015 instructed the Clerk to provide notice of the public meeting set for March 10, 2015 and the public hearing set for April 7, 2015. However, due to a procedural notification error, the Board directed staff on April 7 to re-notice all lodging businesses within the proposed San Luis Obispo County Tourism Marketing District (TMD) and re-set the public meeting and public hearing to April 21, 2015 and June 10, 2015, respectively.

Per the Board's direction, a notice of proposed assessment was sent to all owners of lodging businesses within the proposed district setting April 21, 2015 as the public meeting to consider all written and oral protest. The notice set today, June 10<sup>th</sup>, as the date of the public hearing to continue to take written and oral protest and to consider the resolution of formation of the TMD. All written protests are required to be received by the Clerk at or before the start of the June 10<sup>th</sup> public hearing. All protests previously received prior to the re-notification remained valid.

At the February 10, 2015 meeting, the Board amended the Management District Plan by adding the following:

*The Board of Directors shall be selected as follows:*

- *One lodging business representative from each of the cities shall be appointed by the respective jurisdiction's city council or tourism organization, as each city determines*
- *One lodging business representative shall be appointed by the County Board of Supervisors*
- *One additional representative at-large shall be appointed by the County Board of Supervisors*

- *Nominations shall be sought from the assessed lodging businesses for the remaining six seats. Nominations will be verified by the nominating committee, and a slate provided to the Board of Directors. The slate will take into consideration the requirement for various business types.*

*The Board of Directors shall serve for staggered three-year terms. The initial Board shall serve for terms of one, two or three years. At the initial meeting, each director shall draw lots to determine their term. Approximately one-third of the initial board shall serve for one-year term, one-third for a two-year term, and one-third for a three-year term.*

There were no changes made to the Management District Plan at the April 21 public meeting. Changes can be made to the Management District Plan prior to the close of the public hearing on June 10.

As noted, one of the purposes of today's public meeting is to receive oral and written protests by the owners of lodging businesses within the proposed district. All written protests are required to be received by the Clerk at or before the start of the public hearing. If there is written protest from owners of lodging businesses within the proposed district that pay 50% or more of the proposed assessment the assessment shall not be imposed. The applicants may reapply to form the proposed TMD after a period of one year. If there is not such a majority protest, the Board will consider the approval of the Management District Plan (Plan) and adoption of the resolution of formation. The Parking and Business Improvement District Law of 1994, Streets and Highways Code Section 36600 et seq., sets out the sequence of events required for a formation of the TMD. All written protests are required to be received by the Clerk at or before the start of the June 10th hearing date.

As of the writing of this staff report, a total of 409 protest forms have been received. We are unable to provide the total amount of taxable rents by protestor as any information related to taxable rents that can be tied to any particular business is propriety. The chart below provides the percentage of lodging businesses, by jurisdiction, protesting the formation of the TMD based on the total amount of calendar year 2013 taxable rents.

<b>Jurisdiction</b>	<b>Percentage Lodging Businesses Protesting (based on <u>total taxable rents</u>)</b>
Unincorporated County	28.18%
Arroyo Grande	0.04%
Atascadero	0.04%
Grover Beach	24.41%
Morro Bay	23.79%
Paso Robles	14.86%
Pismo Beach	2.96%
San Luis Obispo	2.01%
<b>Totals</b>	<b>16.19%</b>

The following charts illustrate the breakdown of protest forms received by jurisdiction when 1) compared to the total number of lodging businesses (Chart #1); and 2) by lodging type (Chart #2).

<b>Chart #1</b>	<b># of Protest forms received</b>	<b># of lodging businesses within jurisdiction</b>	<b>Percentage of protest forms <u>returned per jurisdiction</u></b>
Unincorporated County	329	1,052	31.27%
Arroyo Grande	5	16	31.25%
Atascadero	3	13	23.08%
Grover Beach	2	11	18.18%
Morro Bay	42	201	20.90%
Paso Robles	13	70	18.57%
Pismo Beach	6	51	11.76%
San Luis Obispo	9	39	23.08%
<b>TOTALS</b>	<b>409</b>	<b>1,453</b>	<b>28.13%</b>

<b>Chart #2</b>	<b># of Hotel/Motel</b>	<b># of Bed and Breakfast (B&amp;B)</b>	<b># of RV Parks</b>	<b># of Vacation Rentals/ Homestays</b>	<b># of protest forms by <u>lodging type</u></b>
Unincorporated County	26	14		289	329
Arroyo Grande		1		4	5
Atascadero	2			1	3
Grover Beach	2				2
Morro Bay	11		5	26	42
Paso Robles	5			8	13
Pismo Beach	1			5	6
San Luis Obispo	8			1	9
<b>TOTALS</b>	<b>55</b>	<b>15</b>	<b>5</b>	<b>334</b>	<b>409</b>

#### Next Steps

If the resolution of formation is approved, assessment collections would begin on July 1, 2015. Each city is responsible for notifying lodging businesses within their jurisdictions of the formation of the TMD. The County's Treasurer-Tax Collector will notify lodging businesses within the unincorporated area. In addition, the assessments will be collected according to each jurisdiction's policies and ordinances pertaining to the collection of transient occupancy tax including applicable penalties and interest for delinquent assessment payments. It should be noted that the TMD assessment is an obligation of the lodging business owner which can be passed on to each transient. This is unlike transient occupancy tax which is a tax on the transient.

After the formation of the TMD, Administrative Office staff will be working to bring a contract to the Board with Visit San Luis Obispo County to act as the Owners' Association for the TMD. Additionally, as discussed above, the County has two representatives that will need to be appointed to the TMD's Owner's Association. Both appointments are subject to the Maddy Act. Those vacancies will be posted as required by law. An item requesting such appointments will be place on a Board's future agenda.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

Staff from the Administrative Office, Auditor-Controller-Treasurer-Tax Collector, Clerk-Recorder, and County Counsel continues to participate in this process.

## **FINANCIAL CONSIDERATIONS**

The proposed 1% assessment would be levied on the paid rent charged per occupied room per night, with consecutive stays of 30 days or more excluded. Revenue raised by this assessment is projected to be \$2.8 million per year for the initial five (5) year term that it will be collected. In addition, the County and cities may charge an administrative fee – up to 2% of the amount collected – to cover any costs associated with administering the TMD in their respective jurisdictions.

## **RESULTS**

The County will not be establishing any performance criteria beyond the legal contractual obligation to expend the funds for identified purposes. The onus would be on the contracted Owner's Association to meet the expectations included in the Management District Plan and District Marketing Plan when it is developed as well as the lodging business owners collecting the assessment. It is expected the Owner's Association Board of Directors will develop measures that will track the success of the management district plan and any subsequent marketing plan programs.

## **ATTACHMENTS**

1. Vicinity Map
2. Sequence of Events
3. Management District Plan
4. Resolution of Formation
5. Correspondence